States Vary Widely in How They Spend Medicaid Dollars

BY MARY ELLEN SCHNEIDER

FROM HEALTH AFFAIRS

A look at Washington state's Medicaid program could provide some clues for how to control costs as states prepare for the massive 2014 expansion of Medicaid under the Affordable Care Act.

Washington has been able to provide widespread access to outpatient services and prescription drugs, while keeping down spending on inpatient care (Health Aff. 2011;DOI:10.1377/hlthaff.2011.0106).

The per beneficiary cost for inpatient stays was about 35% below the national average in Washington state, while outpatient visits and prescriptions were each 15% above the national average, wrote Todd P. Gilmer, Ph.D., and Richard G. Kronick, Ph.D., of the University of California, San Diego. (Dr. Kronick is now a deputy assistant secretary for health policy at the Department of Health and Human Services.)

The authors analyzed Medicaid claims data from 2001-2005 to see how the volume and the price of services affected the variation in spending across the states. "Several states are using their Medicaid resources in a way that's helping to reduce the need for more expensive hospital care," Dr. Gilmer said in a statement. "By increasing access to primary care and experimenting with team-based delivery models and low-cost providers, states may be able to improve quality while reducing Medicaid spending."

For example, the programs in Connecticut, Massachusetts, New Hampshire, and Vermont spent more than most on prescription costs and outpatient visits, but had a lower-than-average number of hospital days. The inpatient and outpatient spending offset each other, such that average overall spending was just below the mean of all states.

The researchers also found that having a large primary care workforce was associated with reduced hospital stays for diabetes.

The authors received funding from the Robert Wood Johnson Foundation's Changes in Health Care Financing and Organization initiative. ■

Medicare Regulation Aims to Cut Insurance Paperwork

BY MARY ELLEN SCHNEIDER

Physicians and their staffs may have a little less insurance paperwork to do, thanks to a coming Medicare regulation.

The interim final rule puts into place two rules on electronic health care transactions: one to make it easier to determine patients' health care coverage, and the other to ascertain the status of a submitted claim.

Currently, when a physician's office staff seeks information on patient health care coverage, they may have to make the request in a different format for each health plan, but under the operating rules set out by Medicare the format will be standardized across all health plans. The changes, which were mandated under the Affordable Care Act, will go into effect on Jan. 1, 2013.

The new Centers for Medicare and Medicaid Services requirements are based largely on operating rules developed by the Council for Affordable and Quality Healthcare's Committee on Operating Rules for Information Exchange (CAQH CORE), an industry coalition that works on administrative simplification issues.

The CMS estimates that the adoption of these two operating rules will result in about $12 billion in savings to physicians and health plans over the next decade, largely because of fewer phone calls between physicians and health plans, reduced paperwork and postage costs, increased opportunities to automate the claims process, and fewer denials.

CMS plans to issue additional rules, including mandating the adoption of standards for electronic funds transfer and remittance advice.

The deadline to submit comments on the CMS interim rule is Sept. 6. ■

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